



IMPACT AND PERSPECTIVE MILLENNIUM VISION 1997



THE WORLD'S LARGEST INDUSTRY AND GENERATOR OF JOBS

**This report is presented on behalf of the following Hawaii-based Research Sponsors
and the World Travel & Tourism Council.**

Just about a year ago, more than 50 individuals from both the private and public sector of Hawaii joined together to contribute their dollars or their time to make it possible to produce, for the first time in Hawaii, a comprehensive study of Travel & Tourism's impact on Hawaii's economy.

That initial report was significant in several ways: It used new methodology that has been tested and endorsed by renown economists worldwide. The methodology can be replicated year after year, thereby helping Hawaii's leaders and planners clearly measure the trends in the Travel & Tourism industry. Furthermore, the methodology allows Hawaii's leaders and planners to compare the effects and trends of Travel & Tourism here with other tourist destinations worldwide.

The 1996 report did not, as many previous tourism studies in Hawaii had, incorporate the so-called "multiplier" factor — the effects on the economy of Travel & Tourism's dollars as they trickle down through the various levels of commerce. This multiplier effect, everyone agrees, does exist, but there has been no widely accepted formula for computing it; hence, its exclusion from the methodology used here. However, if the most commonly endorsed multiplier formula (1:1) were applied to the report, we would find that Travel & Tourism's impact on Hawaii's economy would be double that in the study.

The source for this new methodology is the WEFA Group, an independent consulting organization of noted international economists, which evolved from the merger of Chase Econometrics and the Wharton Econometric Forecasting Association (WEFA). This group has always been at the forefront of economic consulting, forecasting, and analysis. We are very grateful to the World Travel & Tourism Council (WTTC) for bringing WEFA's skills into the domain of Travel & Tourism, and for helping make their work available to Hawaii.

Disregarding any multiplier effect, it is still abundantly clear from WEFA's findings that Travel & Tourism is, by far, Hawaii's largest industry, largest employer, and largest payer of taxes. Accepting this as fact should inspire all of us in Hawaii to support Travel & Tourism, so that it can continue to be the source for one-third of all workers' paychecks in Hawaii.

This 1997 update considers another year's data (1994 - the latest available), and applies it to our moving scale of 10 years, showing us not only where we have been, but where we are going in the near future.

New this year is a comparison of Hawaii's Travel & Tourism industry with that of the Caribbean -- an island destination that parallels Hawaii in its reliance on Travel & Tourism, and also one of Hawaii's major competitors.

I encourage you to read and contemplate these findings; they serve as a clarion call to action. I also want to acknowledge and thank the many individuals and companies from the private sector who funded this study (their names appear below). And my special thanks to Dr. Seiji F. Naya and his excellent staff at Hawaii's Department of Business, Economic Development and Tourism for their enthusiastic assistance, expertise and support.

Aloha,



Richard R. Kelley
January 31, 1997

**Richard R. Kelley Outrigger Hotels & Resorts
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This is the second year that we have produced this WTTC Report on the economic contribution of Travel & Tourism in Hawaii. The first report was released in March 1996 to considerable fanfare and follow-up discussion. It was, in fact, so well received that we quickly depleted our available supplies, adding truth to the notion that in Hawaii, Travel & Tourism is everyone's business.

This second report confirms that Travel & Tourism is the employment driver for an estimated 176,450 workers in the State, or 31.3% of the total workforce in 1997. Put simply, 1 in every 3.2 workers in Hawaii is employed because of Travel & Tourism.

This fact alone is perhaps the most compelling of reasons why Travel & Tourism should receive greater awareness and attention in Hawaii and in Washington; because in this day of Internet, World Wide Web, smartcards, online bookings, ticketless travel, aviation liberalization and satellite navigation systems, Travel & Tourism has no bounds. Countries and destinations around the world are vying, if not challenging others for their visitor business. To succeed in this new environment, Hawaii should play a leading role in the new public sector / private sector partnership to ensure that its position as one of the world's great destinations is not lost.

To aid in ensuring its position among the Travel & Tourism leaders, WTTC calls on Hawaii state and local officials to join in a four-point **Millennium Vision** for Travel & Tourism. Its terms are to:

- Make Travel & Tourism a strategic economic development and employment priority;
- Move toward open and competitive markets;
- Pursue sustainable development; and
- Eliminate barriers to growth.

To maintain Hawaii's Travel & Tourism leadership, there is no time to waste.

Harvey Golub
Chairman

Geoffrey H. Lipman
President

TRAVEL & TOURISM'S ECONOMIC IMPACT

Travel & Tourism - encompassing transport, accommodations, catering, recreation and services for travelers - is the world's largest industry and generator of quality jobs. It is expected to generate \$3.8 trillion of gross output and 262 million jobs worldwide in 1997.

On a comparative basis, the Caribbean, which is most like Hawaii in its reliance on Travel & Tourism, is expected to generate \$33.6 billion of gross output and 2.9 million jobs in 1997. Caribbean comparisons are used extensively in this report to give perspective to the Hawaii results.

In the State of Hawaii, Travel & Tourism is expected to produce \$9.8 billion of gross output and 176,450 jobs in 1997, more than 7.5% and 8.1% below 1991 peak levels in constant terms.

In 1997, Travel & Tourism should contribute 10.7% of Gross Domestic Product (GDP) to the world economy.

In the Caribbean, Travel & Tourism is expected to generate 29.5% of GDP in 1997.

The State of Hawaii is perhaps the largest relative producer of Travel & Tourism in the Union, at 24.3% of Gross State Product (GSP). This also makes Travel & Tourism the largest industry in the state.

Travel & Tourism is a high growth industry, which is globally forecast to grow 42.3% (real terms, adjusted for inflation) over the next decade.

In the Caribbean, Travel & Tourism is expected to grow its total output 65.8%, in real terms, over the next decade.

In Hawaii, for a number of reasons, Travel & Tourism gross output is expected to grow only 23.1%, in real terms, between 1997 and 2007 (2.1% per annum).

Travel & Tourism is human-resource intensive, creating quality jobs across the full employment spectrum. Globally, 1 in 9 jobs is generated by Travel & Tourism - many of them in small businesses and in urban or rural areas where structural unemployment is highest.

In the Caribbean, 1 in every 4 jobs is a result of Travel & Tourism activity.

In Hawaii, employment resulting from Travel & Tourism is expected to total 31.3% in 1997, or 1 in every 3 jobs.

Travel & Tourism is a major exporter, with international visitors injecting foreign exchange directly into the economy.

In the Caribbean, the industry is expected to account for 87.8% of total 1997 export earnings.

In Hawaii, domestic and international Travel & Tourism exports make up a substantial portion of Gross State Product. Of total state exports, services and merchandise, Travel & Tourism is expected to account for 62.5% in 1997.

Travel & Tourism is a catalyst for construction and manufacturing. In 1997, the private and public sectors combined are expected to spend \$801 billion in new Travel & Tourism capital investment worldwide.

In the Caribbean, Travel & Tourism will spend \$14.3 billion in 1997 (74.8% of total) on infrastructure, plant and capital equipment from suppliers.

Capital investment in Hawaii to support the State's Travel & Tourism economy is expected to total \$1.4 billion in 1997, or 21.8% of total state investment.

Travel & Tourism is both a generator and receiver of government funds. Globally in 1997, Travel & Tourism is expected to generate \$716 billion of taxes (10.4% of total), while receiving \$296 billion of government expenditures (6.4% of total).

In the Caribbean, the industry will generate \$8.4 billion in taxes (29.8% of total), while receiving \$2.3 billion in government expenditures (19.7% of total).

Taxes from Travel & Tourism in Hawaii in 1997 are expected to total \$1.9 billion (25.0% of total), while it expects to receive \$597 million (6.0% of total) in government operating expenditures.

TRAVEL & TOURISM'S MILLENNIUM VISION

In looking to the 21st century, it is predicted that the global economy will be driven by three super service industries: information technology, telecommunications and Travel & Tourism. Within Travel & Tourism, there is a unique opportunity to create more than 100 million new jobs across the global economy through public and private sector cooperation in four key areas. We call on the citizens of Hawaii and its state and county governments as well as appropriate federal agencies to share this Millennium Vision.

1

MAKE TRAVEL & TOURISM A STRATEGIC ECONOMIC DEVELOPMENT AND EMPLOYMENT PRIORITY

- Recognize the industry's economic and social contribution and include it in mainstream programs for job creation, export promotion and investment stimulation.
- Establish a State Satellite Account for Travel & Tourism.

3

PURSUE SUSTAINABLE DEVELOPMENT

- Establish a policy framework for sustainability, and encourage industry environment initiatives.
- Expedite zoning and permitting procedures.

2

MOVE TOWARD OPEN AND COMPETITIVE MARKETS

- Support the implementation of the General Agreement on Trade in Services (GATS), liberalize air transport especially to and through Asian countries, and deregulate telecommunications in international markets.
- Enhance promotion of State of Hawaii Travel & Tourism and encourage product quality improvements to compete more effectively for visitors.

4

ELIMINATE BARRIERS TO GROWTH

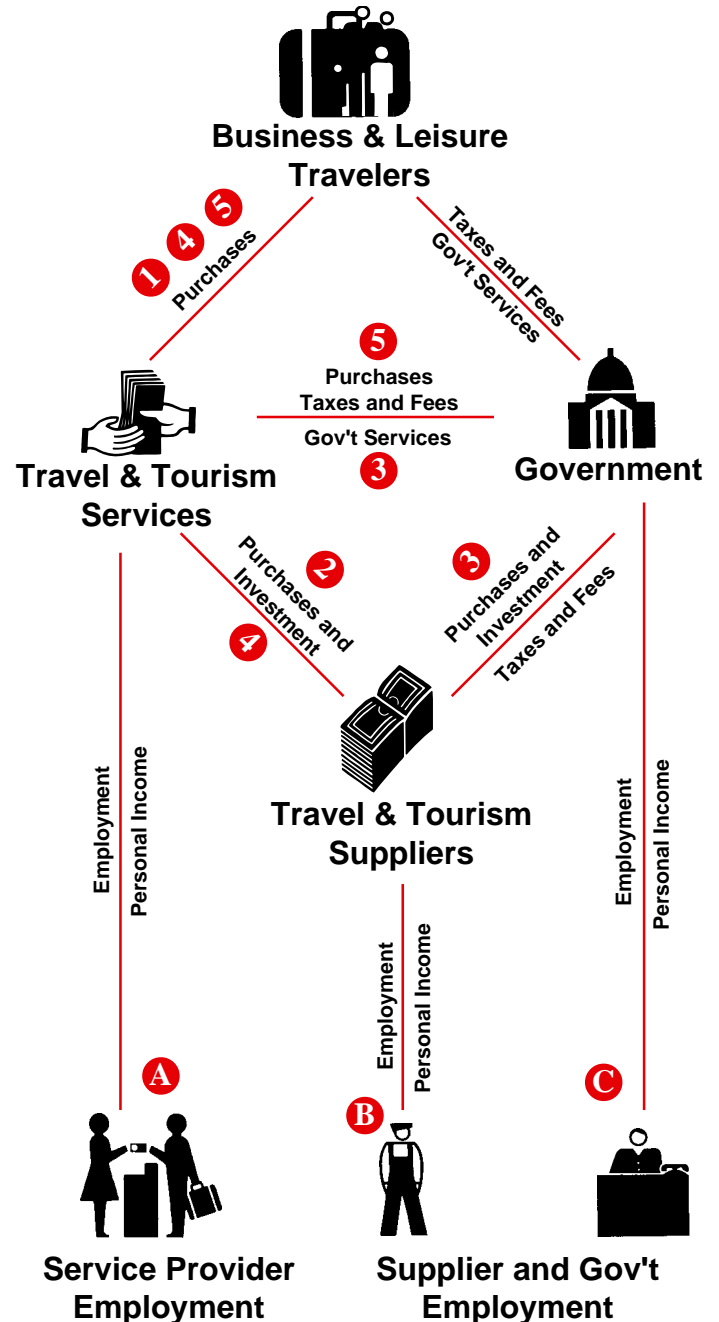
- Expand and improve infrastructure - increasing airport capacity, modernizing air traffic control systems and structures, and improving highways, roads, beaches and meeting facilities.
- Support implementation of FAST automated border clearance, extension of the visa waiver program and elimination of visas altogether where possible.
- Tax intelligently for growth and exports.
- Invest in human resource development.
- Provide for visitor safety and security.

WTTC/WEFA Group research quantifies the *total* impact of Travel & Tourism through the creation of a simulated Satellite Account, which measures consumer expenditures, capital investment, government expenditures, foreign and domestic trade, and business expenditures, in the same way as governments measure other industries in their charts of national accounts:

- 1 **Consumer Expenditures** (a.k.a. personal consumption) on transportation, accommodation, catering/retail, recreation, and travel-related services and merchandise by residents who travel.
- 2 **Capital Investment** made by companies, governments and residents in Travel & Tourism infrastructure, buildings and equipment.
- 3 **Government Expenditures** (operating) that make Travel & Tourism possible.
- 4 **Foreign and Domestic Trade** (a.k.a. net exports) generated by nonresident visitor expenditures on services and merchandise, and sales of Travel & Tourism supplies.
- 5 **Business Expenditures** - Travel by companies and governments to support their daily operations.

The research also identifies the *total* employment that results from these current and capital expenditures:

- A People involved in providing Travel & Tourism services to consumers, business travelers and government travelers such as airline pilots, hotel clerks, car rental agents, tour operators and retail merchants.
- B People involved in providing construction, manufacturing, distribution and business services to Travel & Tourism service providers.
- C People involved in providing Travel & Tourism government services such as marketing, transportation agencies, park services, airport personnel, lifeguards and security.



No Multipliers

The National Satellite Accounting research by the WEFA Group does not use input-output multipliers to estimate Travel & Tourism's "induced impact." The results of this study and our previous (1996) study are therefore lower than those often reported for Hawaii in the past.

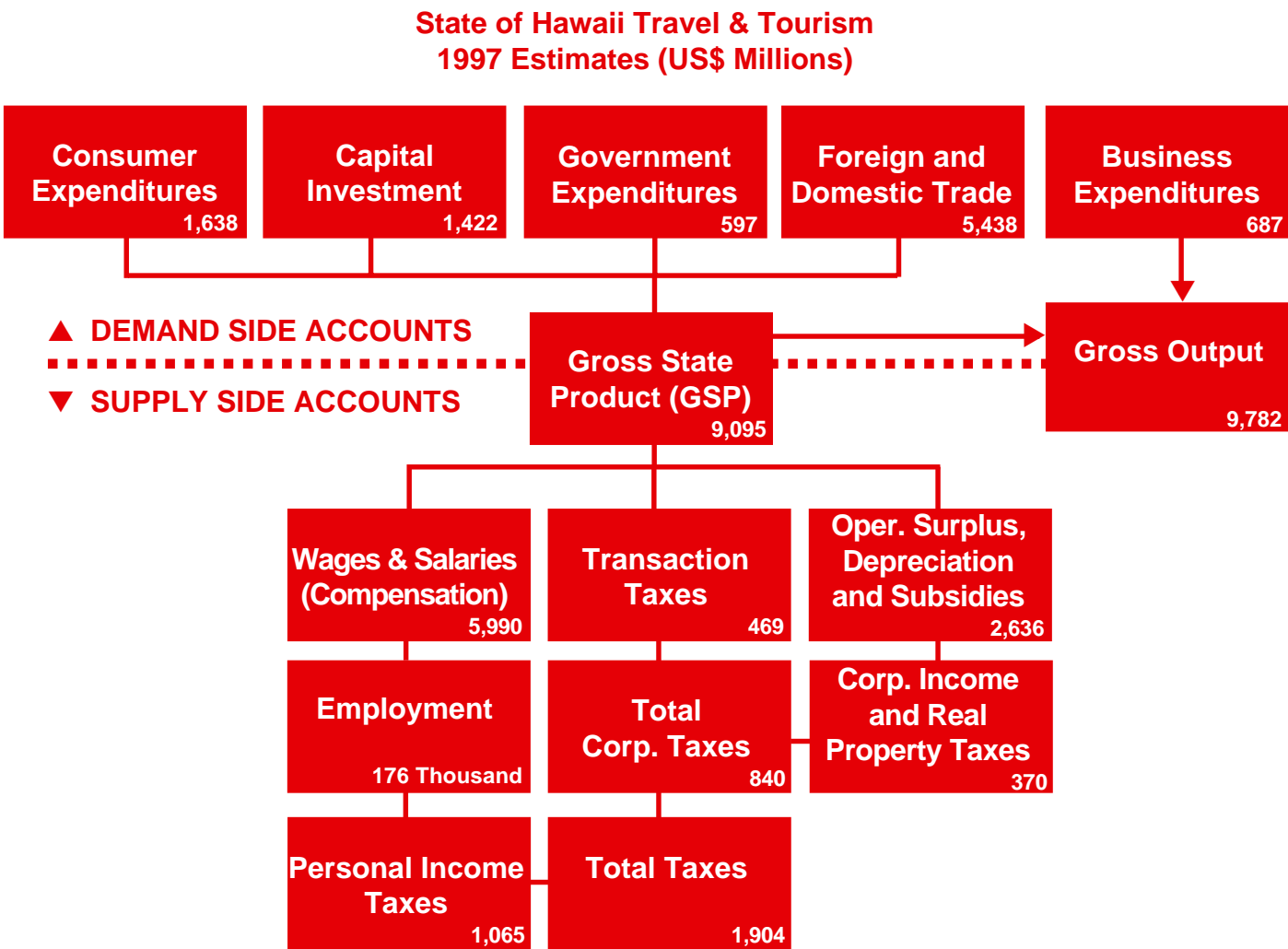
TRAVEL & TOURISM

WTTC/WEFA Group research is designed to be the methodological equivalent of the future National Satellite Accounting System for Travel & Tourism, which is being developed by the Organization for Economic Cooperation and Development, the United Nations, the World Tourism Organization and other international and national statistical bodies.

For this reason, the research approach is fully in line with generally accepted national accounting methodology. Established in 1989 and enhanced in 1993/1994, the research includes improvements resulting from consultation with the international research community. Source data on consumer, investment, government and business

spending patterns was gathered directly from government and private-sector/academic sources. Foreign trade data was obtained from the United Nations and State of Hawaii.

All economic concepts are based on National Accounting Rules for the establishment of Gross Domestic Product. The methodology also employs state-of-the-art Input/Output models, used by state and national governments to determine the total impact of economic policy. These models are used extensively to link the industry's GDP contribution and its supply-side accounts, including employment. The complete methodology is available upon request.

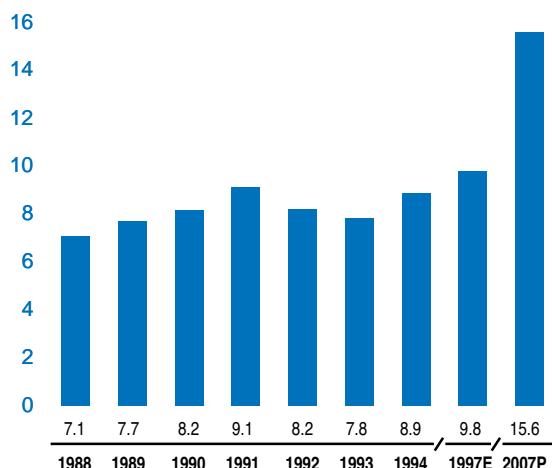


This chart illustrates the complete picture of estimated inputs and outputs for Travel & Tourism in the State of Hawaii for 1997. A complete description of these and other economic concepts as they relate to the State of Hawaii can be found on Page 15. All figures contained in this report are nominal, unless otherwise indicated.

GROSS OUTPUT FROM TRAVEL & TOURISM

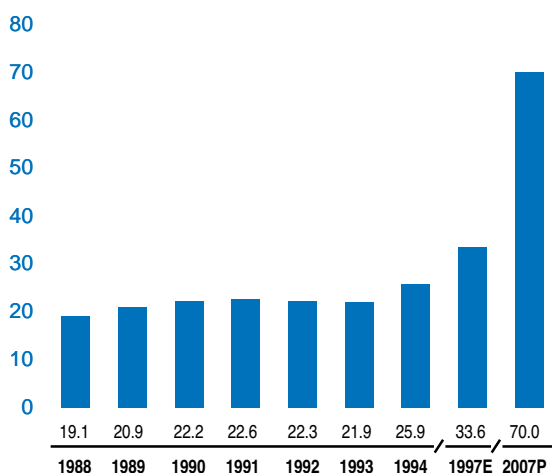
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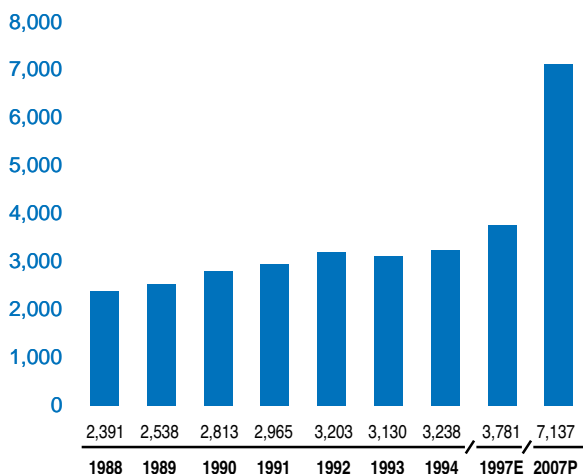
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CREATING WEALTH

Travel & Tourism in the State of Hawaii is expected to produce \$9.8 billion of gross output in 1997, including:

- \$1.6 billion of Travel & Tourism personal consumption (7.2% of total) by state residents.
- \$1.4 billion of capital investment (21.8% of total) in personal, commercial and public Travel & Tourism plant and equipment by residents, Travel & Tourism companies, local, state and federal governments.
- \$0.6 billion of government expenditures (6.0% of total) to provide services to the Hawaii Travel & Tourism industry and its visitors, as well as to pay for travel expenses of Hawaii government employees.
- \$5.4 billion of foreign and domestic trade surplus.
- \$0.7 billion of business expenditures, better known as business travel, by in-state companies.

Over the past few years, Hawaii's Travel & Tourism gross output has only partially recovered from its 1992/93 decline, which resulted from Hurricane Iniki and the U.S. and Japanese recessions. For the period 1994 to 1997, business is expected to post a weak 0.88% annualized gain on top of its 1994 real growth of 11.0%. Even more alarming, these gains still fall 7.5% short of 1991's peak results in constant dollars.

In 1997, Travel & Tourism gross output for the entire Caribbean region is expected to total \$33.6 billion, or 3.5 times that of the State of Hawaii.

Over the next decade, State of Hawaii Travel & Tourism gross output is expected to show modest growth, at a real annualized rate of 2.1% per year, reaching \$15.6 billion (nominal) by 2007.

Moreover, as illustrated on the following pages, Hawaii is one of the largest relative producers of Travel & Tourism in the world, but highly dependent on out-of-state visitors. In 1997, it is estimated that the State will earn \$12.1 billion of foreign and domestic trade (exports) from out-of-state visitors, which far exceeds the \$1.2 billion spent by traveling state residents (imports).

Hawaii is also dependent on out-of-state Travel & Tourism merchandise imports, estimated at \$5.4 billion. Together, the services surplus and merchandise deficit are expected to produce a net Travel & Tourism trade surplus of \$5.4 billion for Hawaii in 1997.

CREATING JOBS

Travel & Tourism in the State of Hawaii will generate an estimated 176,450 jobs in 1997, across a broad spectrum of economic activities. The industry is expected to account for 31.3% of the workforce, providing 1 in every 3.2 jobs in Hawaii. This includes jobs in hotels, restaurants, airlines and car rental companies, as well as jobs in hotel construction, convention center construction, airport operations and administration, security and many others.

In comparison, Travel & Tourism in the Caribbean as a whole is expected to employ 25.0% of the total regional workforce, or 1 in every 4 jobs. Globally, Travel & Tourism is expected to yield 262 million jobs in 1997 - 10.5% of world employment, or 1 in every 9.5 jobs.

Following a 1992/1993 tumble in Travel & Tourism employment in Hawaii, in both absolute and relative terms, 1994 results and 1997 estimates show small signs of recovery. In 1994, some 17,600 of the lost jobs were recaptured, but due to continued softness in Travel & Tourism, it is estimated that only 1,140 jobs will be added during the period of 1994 to 1997, an average annual increase of 0.22%. Over the next 10 years, we expect the state to increase its employment generated from Travel & Tourism by 24,900 jobs or 14.1%. Still, State of Hawaii employment generated by Travel & Tourism is not expected to fully rebound to 1991 levels until well after 2003.

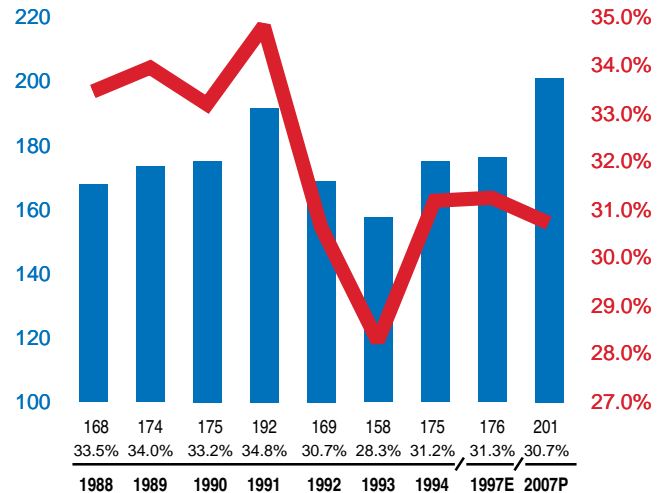
In the Caribbean, Travel & Tourism employment is growing much faster, with 21.1% more jobs in 2007 over 1997. On a global basis, Travel & Tourism employment, spurred by growth in the Asia/Pacific region, is expected to increase 46.4%.

In 1997, average per capita compensation for Hawaii's Travel & Tourism industry is expected to be \$33,949, or 81% of the State's overall average per capita compensation. Although Travel & Tourism jobs are usually considered low-wage, low-tech, entry-level jobs, they also include a large number of high-wage, high-tech, senior level jobs. Most importantly though, because of the labor intensive nature of Travel & Tourism, these jobs are easier to create than the average job. It is estimated that over the next decade, an additional \$1 million (1997 constant dollars) of Travel & Tourism GSP will create 11.8 new jobs in Hawaii, or more than twice (225%) the number of jobs created by the same GSP in the general economy.

EMPLOYMENT AND % OF TOTAL FROM TRAVEL & TOURISM

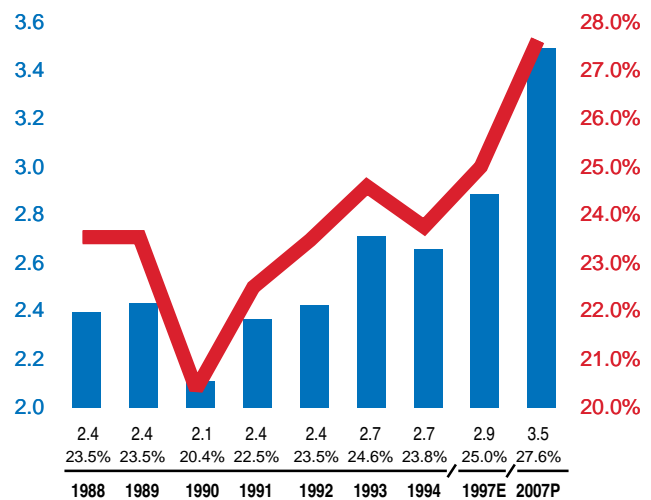
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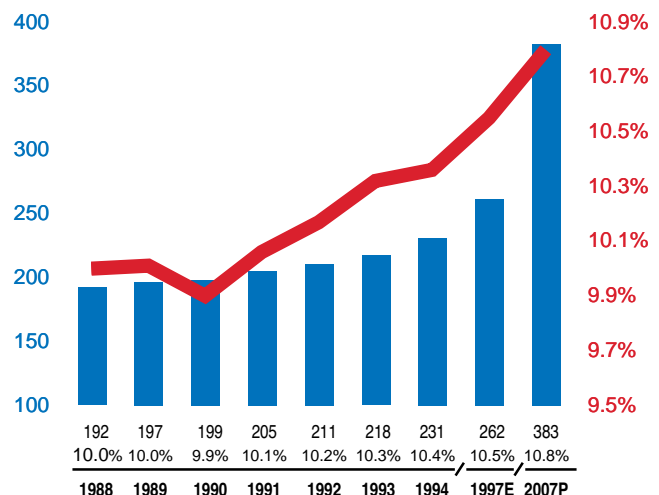
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(Mn of Jobs)



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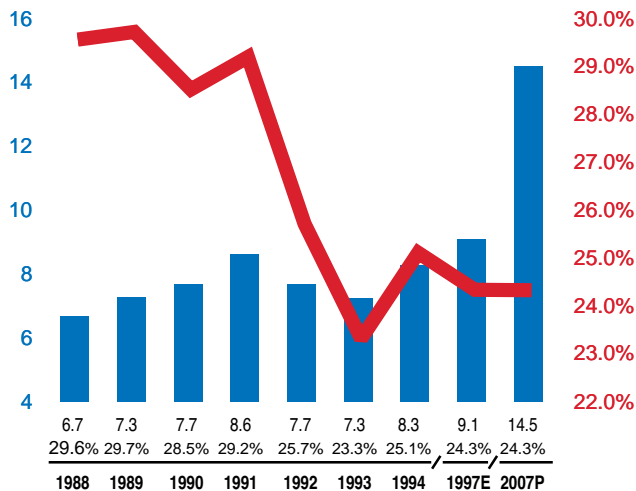
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GROSS STATE/DOMESTIC PRODUCT FROM TRAVEL & TOURISM

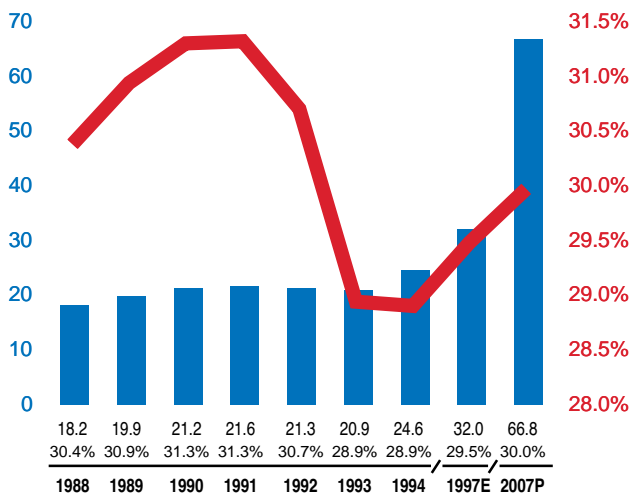
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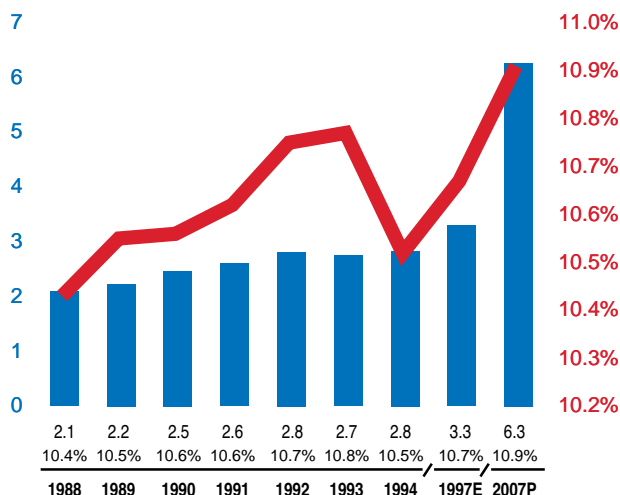
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ADDING VALUE

In 1997, Hawaii Travel & Tourism is expected to produce 24.3% of total Gross State Product (GSP). This compares with Travel & Tourism's Caribbean contribution of Gross Domestic Product (GDP) in 1997 expected to total 29.5%, and a world contribution of 10.7%. Hawaii's Travel & Tourism GSP ranks it among the world's highest relative contributors.

For ranking purposes, Hawaii's 1992 Travel & Tourism GSP contribution of 25.7% puts it in first place when compared against the GSP results from traditionally defined industries. See page 11 for more details.

Although outstanding compared to most economies, Hawaii's Travel & Tourism contribution to GSP has generally decreased in recent years, for a variety of reasons. A detailed review of historical Travel & Tourism GSP contribution changes shows:

- 1989, 1994 - increased visitor receipts outpaced additional import requirements to drive up GSP;
- 1990 - declining trade balance overwhelmed gains in capital investment to lower GSP;
- 1991 - declining import requirements helped spur GSP gains in 1991;
- 1992, 1993, 2007 - declining visitor receipts forces GSP lower.

In constant dollars, Hawaii Travel & Tourism is expected in 1997 to contribute 8.8% less to state GSP than it did in 1991.

On a regular basis, Hawaii's Travel & Tourism exports account for 125% to 133% of its final gross state product contribution. Second in importance to Hawaii's Travel & Tourism GSP is capital investment, which accounts for 12% to 22% of total GSP. Third is consumer expenditures, which range from 14% to 19% of total GSP. Government expenditures only account for 5% to 7% of Hawaii Travel & Tourism GSP. Subtracted from these contributions are Travel & Tourism imports, which usually total between 60% and 75% of total GSP. Thus, on a relative basis, exports and imports have the largest impact on Hawaii Travel & Tourism.

From a productivity perspective, Hawaii's Travel & Tourism GSP per employee is expected to total \$51,546 in 1997. In the Caribbean, GSP per employee is only expected to total \$11,088. This makes Hawaii 4.6 times more productive than the Caribbean. The world GDP per employee for 1997 is expected to be \$12,638.

INVESTING CAPITAL

Travel & Tourism capital investment is normally a good barometer of the industry's outlook for growth over the next few years. In 1997, Travel & Tourism capital investment is expected to total 21.8% of total State of Hawaii investment, or \$1.4 billion, down significantly (31.7% in real terms) from its 1990 peak of \$1.7 billion or 28.8% of total investment. Over the next decade, the outlook is firmly positive on an absolute basis, with investment growing 3.8% annually (in real terms). On a relative basis, Travel & Tourism's 2007 investment (24.8%) is expected to make a measurable gain over its 1997 share of total investment (21.8%). However positive, Hawaii Travel & Tourism capital investment is not expected to equal its 1990 peak on a constant dollar basis until 2007.

In general there are two types of Travel & Tourism capital investment, public and private. Public capital investment tends to be associated with airports, ports, roads, highways and convention center construction, while private (commercial and personal) capital investment tends to include aircraft, hotels and resorts, auto fleets, ships, buses and even second homes.

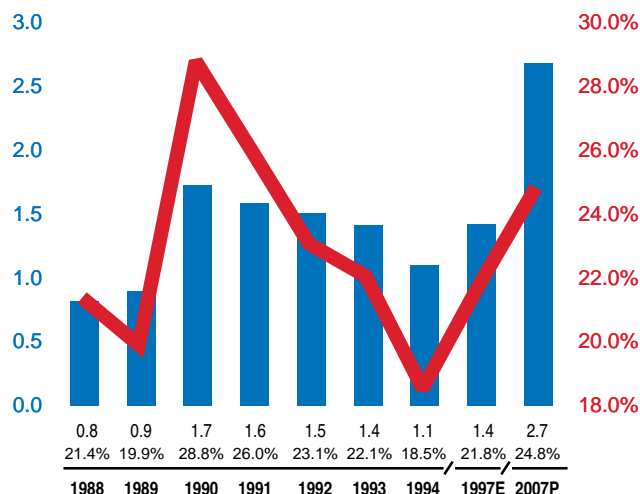
In the Caribbean, Travel & Tourism capital investment is estimated at 74.8% of the total in 1997 - the highest level in the world - while global Travel & Tourism investment is expected to reach 11.7%.

It is remarkably striking, how closely the gains and losses are matched in Travel & Tourism capital investment between Hawaii and the Caribbean, suggesting a real commonality in investment timing and/or similarity in macroeconomic events or investment criteria.

CAPITAL INVESTMENT FROM TRAVEL & TOURISM

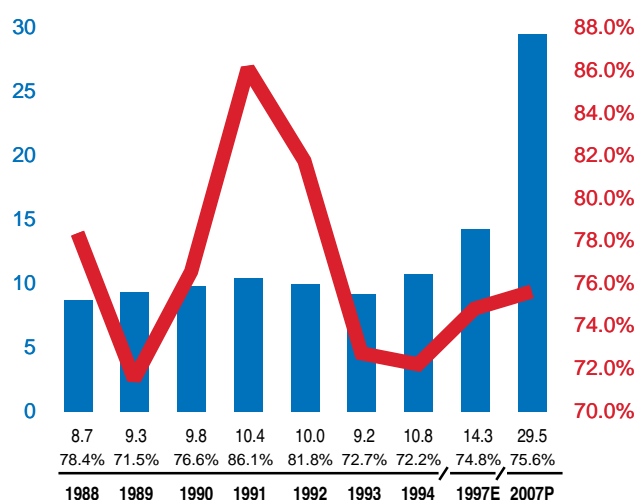
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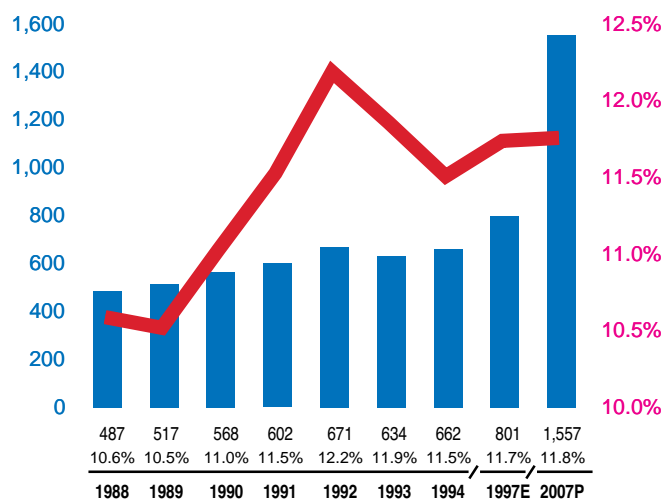
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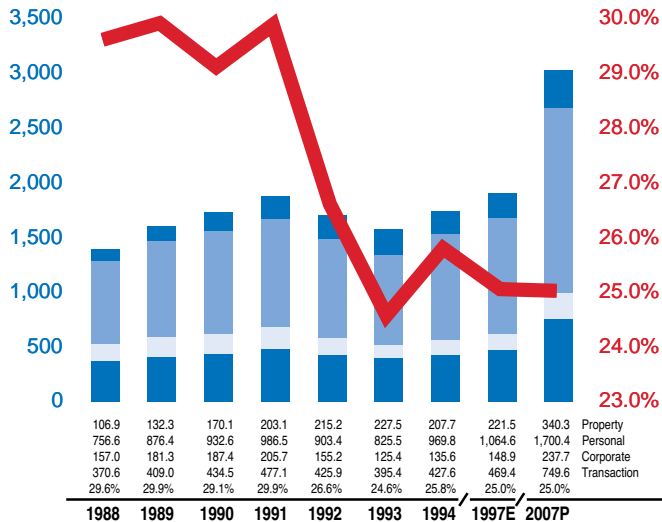
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TAXES FROM TRAVEL & TOURISM

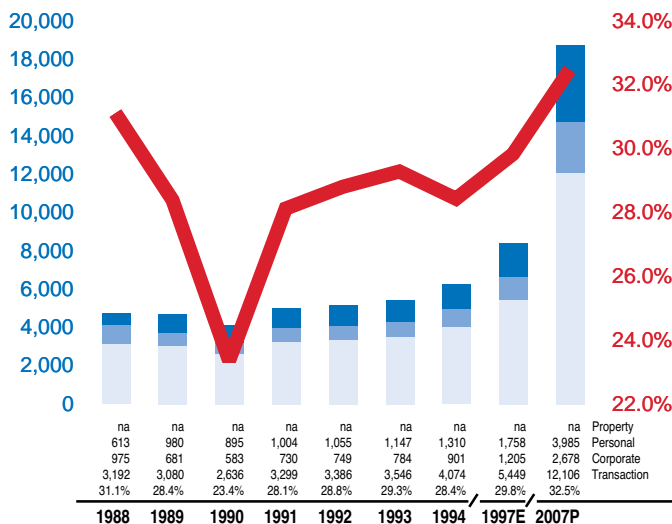
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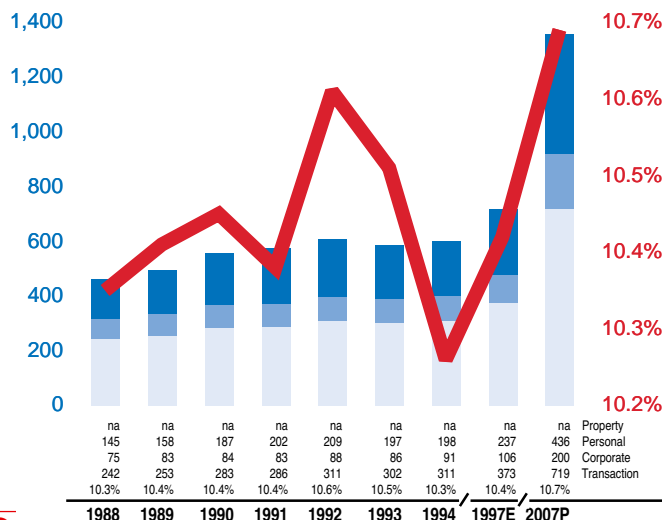
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GENERATING TAXES

Travel & Tourism, like any other industry, pays four major types of taxes: transaction taxes (e.g. sales tax, transient accommodations tax), corporate taxes based on profits, personal income taxes based on employee compensation and real property taxes. In total, State of Hawaii Travel & Tourism is expected to contribute \$1.9 billion or 25% of total federal, state and county taxes paid in Hawaii in 1997. This includes \$469 million of transaction taxes, \$149 million of corporate taxes, \$1.0 billion of personal income taxes and \$222 million in real property taxes. In the 1988 - 1991 era, Travel & Tourism contributed close to 30% of total federal, state and county taxes paid in Hawaii.

It is worth noting that the State of Hawaii's total Travel & Tourism tax contribution, in terms of nominal dollars, constant dollars and as a percentage of total taxes, has been a mirror image of its GSP contribution. As the industry's share of the GSP has fallen, the amount of taxes that it contributes has also fallen proportionally. In 1997, the estimated total tax contribution by the Travel & Tourism industry will still be 12% below the peak of 1991 (as measured by constant dollars) even though some tax rates are higher. (Example: transient accommodations tax is 20% higher than it was in 1991).

Assuming the growth rates previously discussed, by 2007, the industry's total tax contribution is expected to reach \$3.0 billion (nominal dollars). After accounting for inflation, this shows a real increase of 22.6% over the next 10 years.

An interesting ratio for analysis is the industry's tax contribution as a percent of total taxes to the industry's GSP contribution as a percent of total GSP (see Other - Page 14). In 1997 for example, it is expected that the industry's tax contribution will equal 102.9% of its GSP contribution. If property taxes are excluded to make the numbers comparable to other areas, the Travel & Tourism industry in Hawaii contributes 99.7% of its GSP. In the Caribbean as a whole, the same ratio is expected to be 106.7% in 1997. Globally, this ratio is expected to be 94.0%.

The tax figures included in this report do not include proliferating charges and user fees that are levied directly on travelers.

ENGAGING GOVERNMENT

U.S. federal, State of Hawaii and Hawaii local governments are expected to spend \$597 million, net of collections, in 1997 to provide services to Travel & Tourism companies/customers and to pay for government-related business travel for their employees in Hawaii. This amount represents 6.0% of total government operating expenditures expected in Hawaii in 1997. This contribution is down significantly from the 1990 high of 6.7% of total government expenditures. By 2007, government expenditures in Hawaii for Travel & Tourism are expected to reach \$899 million, following 1.5% average annual increases (in real terms) from 1997.

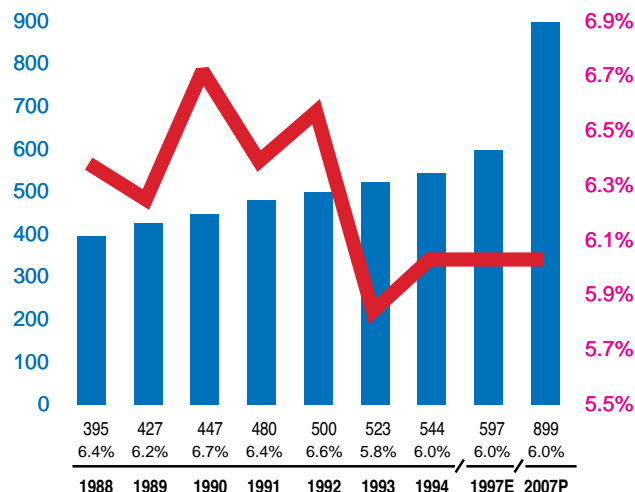
Like consumer expenditures, government expenditures that fall under the Travel & Tourism heading are quite diverse and include such categories as highway and aviation administration, immigration and customs services, park services, convention center operation, marketing and promotion and many others. Revenues such as national/state park fees, which are collected directly from travelers, are subtracted from these figures. Travel expenses related to government employee relocation or troop movements are not considered government-related business travel.

Caribbean governments are expected to spend \$2.3 billion in Travel & Tourism services/expenses in 1997, totaling 19.7% of total government spending. On a global basis, the average country's government is expected to spend 6.4% of its 1997 fiscal budget on Travel & Tourism-related expenditures.

GOVERNMENT EXPENDITURES FOR TRAVEL & TOURISM

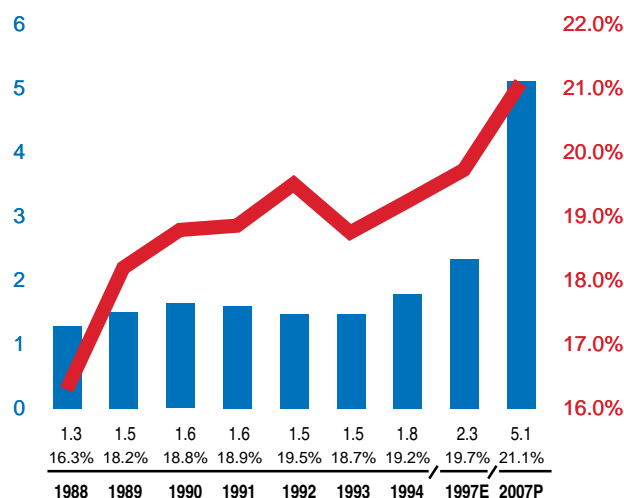
STATE OF HAWAII

(Mn US\$)



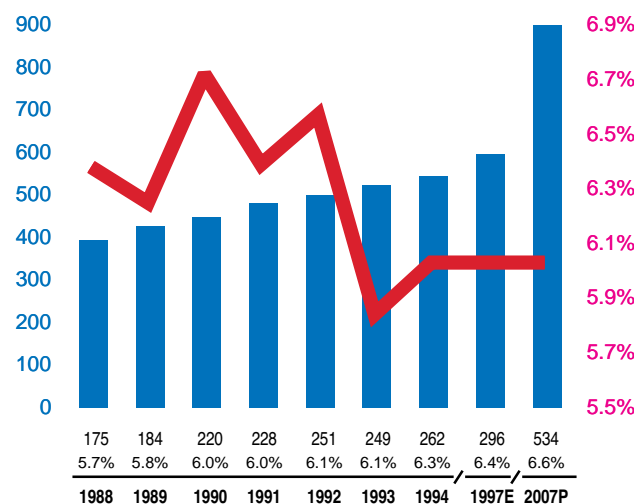
CARIBBEAN

(Bn US\$)



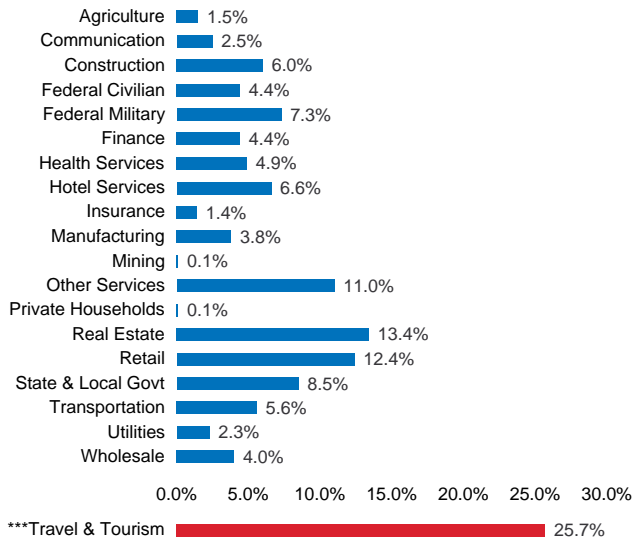
WORLD

(Bn US\$)

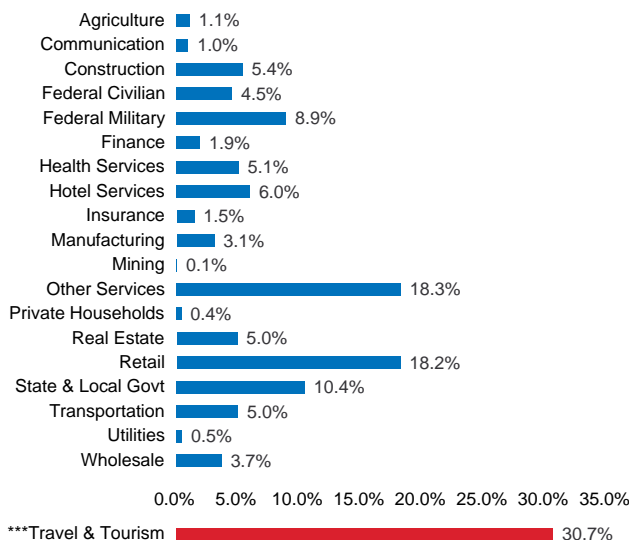


INDUSTRY CONTRIBUTIONS TO THE STATE OF HAWAII 1992*

GROSS STATE PRODUCT** (Pct of Total)



EMPLOYMENT** (Pct of Total)



*1992 is the latest US Dept. of Commerce data available for State of Hawaii GSP and Employment. 1992 WTTC/WEFA Travel & Tourism data is used on this page for comparison purposes.

**Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, 1995

***Portions of the GDP and Employment from the above industries have been reconstituted to produce Travel & Tourism results.

COMPARING IMPACT

Travel & Tourism's importance to the State of Hawaii can best be illustrated by a comparison of its contribution to Gross State Product and employment with that of other economic sectors/industries. Please note, because Travel & Tourism on the adjacent graphs is the only industry for which a Satellite Account (i.e. demand-side measurement) has been established, its results are not strictly comparable to the standardized supply-side results of other industries produced by the U.S. Dept. of Commerce. Still, the graphs are useful in illustrating the magnitude of Travel & Tourism in Hawaii as compared to the various other sectors of the economy.

In 1992, Hawaii's Travel & Tourism industry produced 25.7% of Gross State Product, making it the leading industry in the state. Although Travel & Tourism is not measured in the U.S. Bureau of Economic Analysis's traditional accounts, it is considered a new service industry that can be measured by National Satellite Accounting principles. In this respect, it is clear that no single industry in Hawaii is as large as Travel & Tourism in terms of GSP contribution. The next largest industries (some of which are contributors to Travel & Tourism) in the state include: Real Estate at 13.4%, Retail at 12.4%, Other Services at 11.0%, State & Local Government at 8.5%, Federal Military at 7.3% and Construction at 6.0%.

Also in 1992, Hawaii's Travel & Tourism industry generated 30.7% of state employment, making it the leading employer. Again, it should be noted that the Travel & Tourism Satellite Account includes some employment that is counted in traditional accounts by other industries. Nonetheless, it is clear that no single industry in Hawaii can compete with Travel & Tourism in terms of job contribution. The next largest industry employers include: Other Services at 18.3%, which includes legal, educational, recreational and business services among others; followed by Retail at 18.2%; State & Local Government at 10.4%; Federal Military at 8.9%; Construction at 5.4%; and Health Care at 5.1%.

STATE OF HAWAII - OVERALL ECONOMICS

	1988	1989	1990	1991	1992	1993	1994	1997E	2007P
Total Hawaii Economy - US\$ (Millions) - Nominal Dollars									
Consumer Expenditures	13,312.50	14,358.00	15,674.00	16,857.60	18,018.90	19,173.40	20,158.20	22,773.39	37,778.71
Government Expenditures	6,187.61	6,821.36	6,642.92	7,516.61	7,619.73	8,955.41	9,023.81	9,902.58	14,906.27
Capital Investment	3,830.39	4,518.74	6,011.78	6,104.29	6,540.17	6,405.82	5,944.04	6,520.60	10,796.88
Foreign and Domestic Trade	(681.90)	(1,237.40)	(1,389.90)	(936.10)	(2,296.00)	(3,428.99)	(2,165.67)	(1,848.43)	(3,839.17)
Exports	12,901.80	14,036.90	14,841.70	16,058.60	15,266.90	14,648.58	16,887.71	19,366.88	30,810.87
Merchandise	1,467.70	1,498.50	1,562.20	1,588.90	1,635.00	1,679.59	1,728.23	1,882.75	3,140.93
Foreign	264.31	282.37	323.21	336.39	346.15	355.59	365.89	398.61	664.98
Domestic	1,203.39	1,216.13	1,238.99	1,252.51	1,288.85	1,323.99	1,362.33	1,484.14	2,475.95
Visitor Spending	8,550.10	9,305.80	9,765.60	10,662.80	9,590.00	8,677.59	10,603.17	12,030.87	18,820.80
Foreign	3,491.35	3,854.42	3,936.80	4,500.85	5,346.77	4,767.50	5,792.60	7,123.60	10,102.95
Domestic	5,058.75	5,451.38	5,828.80	6,161.95	4,243.23	3,910.09	4,810.57	4,907.27	8,717.85
Other Services	2,884.00	3,232.60	3,513.90	3,806.90	4,041.90	4,291.41	4,556.32	5,453.26	8,849.14
Imports	13,583.70	15,274.30	16,231.60	16,994.70	17,562.90	18,077.57	19,053.38	21,215.31	34,650.04
Merchandise	9,098.50	10,455.00	10,926.20	11,398.40	11,779.50	12,071.88	12,778.62	14,259.45	22,988.79
Foreign	1,638.50	1,970.10	2,260.60	2,413.20	2,493.90	2,555.80	2,705.43	3,018.94	4,867.08
Domestic	7,460.00	8,484.90	8,665.60	8,985.20	9,285.60	9,516.08	10,073.19	11,240.51	18,121.71
Residents Abroad	609.50	945.20	951.20	892.90	922.10	981.18	1,081.58	1,221.89	2,027.00
Foreign	243.80	378.08	380.48	357.16	368.84	392.47	432.63	488.76	810.80
Domestic	365.70	567.12	570.72	535.74	553.26	588.71	648.95	733.14	1,216.20
Other Services	3,875.70	3,874.10	4,354.20	4,703.40	4,861.30	5,024.50	5,193.18	5,733.96	9,634.26
Reported GSP	22,323.80	24,574.70	27,033.60	28,608.60	30,083.30	31,107.00	31,948.00	37,348.14	59,642.69
Discrepancy & Omissions	(324.80)	114.00	94.80	(933.80)	200.50	1.36	(1,012.39)	0.00	0.00
Gross State Product	22,648.60	24,460.70	26,938.80	29,542.40	29,882.80	31,105.64	32,960.39	37,348.14	59,642.69
Wages & Salaries	14,407.15	15,559.86	17,136.22	18,792.41	19,008.94	19,786.81	20,966.65	23,757.77	37,939.70
Deprec.+Op. Sur.+Subs.	7,021.41	7,550.76	8,273.49	9,101.79	9,173.48	9,606.69	10,179.51	11,534.63	18,420.09
Transaction Taxes	1,220.04	1,350.08	1,529.10	1,648.20	1,700.37	1,712.14	1,814.23	2,055.74	3,282.89
Personal Taxes	2,597.14	2,978.46	3,259.24	3,360.69	3,458.38	3,518.63	3,728.44	4,224.78	6,746.71
Corporate Taxes	516.92	598.58	659.66	710.61	619.64	543.01	575.39	651.98	1,041.18
Property Taxes	364.36	418.32	476.68	547.03	609.27	632.44	629.54	671.33	1,031.36
Total Taxes	4,698.46	5,345.44	5,924.68	6,266.52	6,387.66	6,406.22	6,747.60	7,603.83	12,102.14
Employment (000's)	502.00	511.00	528.00	551.00	552.00	558.00	561.80	564.50	655.00

STATE OF HAWAII - TRAVEL & TOURISM

	1988	1989	1990	1991	1992	1993	1994	1997E	2007P
Hawaii Travel & Tourism - US\$ (Millions) - Nominal Dollars									
Consumer Expenditures (1)	987.92	1,065.14	1,127.07	1,213.45	1,338.94	1,425.44	1,402.05	1,638.47	2,704.96
Government Expenditures (2)	394.82	426.65	446.59	480.12	500.34	522.89	544.16	597.15	898.88
Capital Investment (3)	819.37	899.66	1,732.04	1,584.71	1,510.42	1,413.47	1,102.54	1,422.04	2,681.82
Foreign and Dom. Trade (4)	4,498.17	4,883.31	4,383.07	5,349.70	4,339.86	3,894.59	5,231.69	5,437.57	8,232.01
Exports (5)	8,601.76	9,358.55	9,820.59	10,718.73	9,647.55	8,736.71	10,664.00	12,097.14	18,931.36
Merchandise (6)	51.66	52.75	54.99	55.93	57.55	59.12	60.83	66.27	110.56
Foreign	9.30	9.94	11.38	11.84	12.18	12.52	12.88	14.03	23.41
Domestic	42.36	42.81	43.61	44.09	45.37	46.60	47.95	52.24	87.15
Visitor Spending (7)	8,550.10	9,305.80	9,765.60	10,662.80	9,590.00	8,677.59	10,603.17	12,030.87	18,820.80
Foreign	3,491.35	3,854.42	3,936.80	4,500.85	5,346.77	4,767.50	5,792.60	7,123.60	10,102.95
Domestic	5,058.75	5,451.38	5,828.80	6,161.95	4,243.23	3,910.09	4,810.57	4,907.27	8,717.85
Imports (9)	4,103.59	4,475.24	5,437.52	5,369.03	5,307.70	4,842.12	5,432.32	6,659.57	10,699.35
Merchandise (10)	3,494.09	3,530.04	4,486.32	4,476.13	4,385.60	3,860.94	4,350.74	5,437.67	8,672.35
Foreign	629.23	665.19	928.21	947.66	928.50	817.42	921.12	1,151.24	1,836.07
Domestic	2,864.86	2,864.85	3,558.11	3,528.47	3,457.10	3,043.52	3,429.62	4,286.43	6,836.28
Residents Abroad (11)	609.50	945.20	951.20	892.90	922.10	981.18	1,081.58	1,221.89	2,027.00
Foreign	243.80	378.08	380.48	357.16	368.84	392.47	432.63	488.76	810.80
Domestic	365.70	567.12	570.72	535.74	553.26	588.71	648.95	733.14	1,216.20
Gross State Product (13)	6,700.29	7,274.76	7,688.77	8,627.98	7,689.56	7,256.38	8,280.44	9,095.23	14,517.67
Business Expenditures (14)	396.48	428.21	471.59	517.17	523.12	571.85	605.95	686.61	1,096.48
Gross Output (15)	7,096.77	7,702.96	8,160.35	9,145.14	8,212.68	7,828.23	8,886.39	9,781.85	15,614.15
Wages & Salaries (16)	4,197.13	4,578.24	4,903.30	5,516.27	4,965.70	4,642.07	5,453.79	5,990.30	9,529.37
Deprec.+Op. Sur.+Subs. (17)	2,132.60	2,287.51	2,350.96	2,634.62	2,297.92	2,218.86	2,399.08	2,635.27	4,191.54
Transaction Taxes (18)	370.56	409.01	434.50	477.09	425.94	395.45	427.57	469.36	749.60
Personal Taxes (19)	756.61	876.37	932.59	986.49	903.43	825.48	969.83	1,064.63	1,700.40
Corporate Taxes (20)	157.00	181.34	187.45	205.69	155.22	125.42	135.61	148.86	237.74
Property Taxes (21)	106.89	132.32	170.08	203.11	215.19	227.49	207.75	221.54	340.35
Total Taxes (22)	1,391.06	1,599.03	1,724.62	1,872.38	1,699.78	1,573.85	1,740.76	1,904.39	3,028.09
Employment (000's) (23)	168.01	173.61	175.34	191.93	169.27	157.74	175.31	176.45	201.35
Hawaii Travel & Tourism - US\$ (Millions) - Constant 1997 Dollars									
Consumer Expenditures	1,290.45	1,335.84	1,354.28	1,402.67	1,506.29	1,562.92	1,503.26	1,638.47	2,086.18
Government Expenditures	515.72	535.08	536.62	554.99	562.88	573.33	583.44	597.15	693.26
Capital Investment	1,070.29	1,128.31	2,081.22	1,831.83	1,699.21	1,549.80	1,182.13	1,422.04	2,068.34
Foreign and Domestic Trade	5,875.64	6,124.39	5,266.70	6,183.94	4,882.29	4,270.22	5,609.35	5,437.57	6,348.90
Exports	11,235.87	11,737.01	11,800.42	12,390.21	10,853.38	9,579.37	11,433.81	12,097.14	14,600.72
Imports	5,360.23	5,612.62	6,533.72	6,206.28	5,971.10	5,309.14	5,824.46	6,659.57	8,251.82
Gross State Product	8,752.11	9,123.63	9,238.82	9,973.43	8,650.67	7,956.27	8,878.18	9,095.23	11,196.69
Business Expenditures	517.90	537.03	566.66	597.81	588.51	627.01	649.69	686.61	845.65
Gross Output	9,270.01	9,660.66	9,805.48	10,571.24	9,239.17	8,583.27	9,527.87	9,781.85	12,042.34
*Items with (numbers) are defined on Page 15.									

STATE OF HAWAII - RATIOS

	1988	1989	1990	1991	1992	1993	1994	1997E	2007P
T&T Accounts as % of State Accounts based on Nominal Dollar results									
Consumer Expenditures	7.42%	7.42%	7.19%	7.20%	7.43%	7.43%	6.96%	7.19%	7.16%
Government Expenditures	6.38%	6.25%	6.72%	6.39%	6.57%	5.84%	6.03%	6.03%	6.03%
Capital Investment	21.39%	19.91%	28.81%	25.96%	23.09%	22.07%	18.55%	21.81%	24.84%
Exports	66.67%	66.67%	66.17%	66.75%	63.19%	59.64%	63.15%	62.46%	61.44%
Imports	30.21%	29.30%	33.50%	31.59%	30.22%	26.79%	28.51%	31.39%	30.88%
Gross State Product	29.58%	29.74%	28.54%	29.21%	25.73%	23.33%	25.12%	24.35%	24.34%
Wages & Salaries	29.13%	29.42%	28.61%	29.35%	26.12%	23.46%	26.01%	25.21%	25.12%
Deprec.+Op. Sur.+Subs.	30.37%	30.30%	28.42%	28.95%	25.05%	23.10%	23.57%	22.85%	22.76%
Transaction Taxes	30.37%	30.30%	28.42%	28.95%	25.05%	23.10%	23.57%	22.83%	22.83%
Personal Taxes	29.13%	29.42%	28.61%	29.35%	26.12%	23.46%	26.01%	25.20%	25.20%
Corporate Taxes	30.37%	30.30%	28.42%	28.95%	25.05%	23.10%	23.57%	22.83%	22.83%
Property Taxes	29.34%	31.63%	35.68%	37.13%	35.32%	35.97%	33.00%	33.00%	33.00%
Total Taxes	29.61%	29.91%	29.11%	29.88%	26.61%	24.57%	25.80%	25.05%	25.02%
Employment	33.47%	33.97%	33.21%	34.83%	30.66%	28.27%	31.20%	31.26%	30.74%
Travel & Tourism Real Growth based on 1997 Constant Dollars (Per Annum, except 1994 = 3 year; 1997 = 10 year)									
Consumer Expenditures		3.52%	1.38%	3.57%	7.39%	3.76%	-3.82%	8.99%	27.33%
Government Expenditures		3.75%	0.29%	3.42%	1.42%	1.86%	1.76%	2.35%	16.09%
Capital Investment		5.42%	84.46%	-11.98%	-7.24%	-8.79%	-23.72%	20.29%	45.45%
Exports		4.46%	0.54%	5.00%	-12.40%	-11.74%	19.36%	5.80%	20.70%
Gross State Product		4.24%	1.26%	7.95%	-13.26%	-8.03%	11.59%	2.44%	23.10%
Business Expenditures		3.69%	5.52%	5.50%	-1.56%	6.54%	3.62%	5.68%	23.16%
Gross Output		4.21%	1.50%	7.81%	-12.60%	-7.10%	11.01%	2.67%	23.11%
Employment		3.33%	1.00%	9.46%	-11.81%	-6.81%	11.14%	0.65%	14.11%
Deflator (1997=100)	76.56	79.74	83.22	86.51	88.89	91.20	93.27	100.00	129.66
Other Ratios based on Nominal Dollar results, except where indicated									
GSP per Employee (US\$)									
Total Hawaii Economy	45,117	47,868	51,020	53,616	54,136	55,745	58,669	65,881	100,618
Travel & Tourism	39,880	41,903	43,851	44,954	45,429	46,003	47,233	51,051	79,671
Ratio of T&T/Total	88.39%	87.54%	85.95%	83.85%	83.92%	82.52%	80.51%	77.49%	79.18%
Wages & Salaries per Employee (US\$)									
Total Hawaii Economy	28,700	30,450	32,455	34,106	34,436	35,460	37,320	41,908	64,005
Travel & Tourism	24,981	26,371	27,965	28,741	29,337	29,429	31,110	33,623	52,296
Ratio of T&T/Total	87.04%	86.60%	86.16%	84.27%	85.19%	82.99%	83.36%	80.23%	81.71%
Employment (1 in X)	3.0	2.9	3.0	2.9	3.3	3.5	3.2	3.2	3.3
Employment Created or (Lost) by \$1 million [1997 Constant Dollar] gain/loss in GSP - Jobs									
Total Hawaii Economy		4.0	5.7	7.6	2.6	4.5	1.9	0.6	5.3
Travel & Tourism		15.1	15.0	22.6	(17.1)	(16.6)	19.1	5.3	11.8
Ratio of T&T/Total		381%	263%	295%	n/ap	n/ap	997%	854%	225%
Ratio Non-Prop. Tax Contr./GSP Contr.									
	100.15%	100.09%	99.97%	99.93%	99.84%	99.96%	99.74%	99.68%	99.74%

TRAVEL & TOURISM DEFINITIONS

Definitions and examples provided for Travel & Tourism concepts listed on Page 13.

Demand Side is the set of State Accounts [(1), (2), (3) and (4)] associated with the purchase of a good or service.

Supply Side is the set of State Accounts [(16), (17) and (18)] associated with the inputs to production of a good or service.

- (1) **Consumer Expenditures** (a.k.a. personal consumption) is spending by State of Hawaii residents on Travel & Tourism services and products. This includes spending before, during and after a trip on various Travel & Tourism services (i.e. air, hotel, car rental, etc.) as well as merchandise purchased during or for the trip.
- (2) **Government Expenditures** is current operating spending by Hawaii government officials on employee travel, as well as spending by government agencies to provide services to travelers and travel companies (i.e. airport and harbor operations, park services, marketing, etc.).
- (3) **Capital investment** is spending by individuals, companies and the public sector on Travel & Tourism infrastructure and equipment in Hawaii including vacation homes, aircraft, rental car fleets, hotels/resorts, airport terminals, highways, beaches, etc.
- (4) **Foreign and Domestic Trade** (a.k.a. net exports) is the sum of Travel & Tourism exports minus imports.
- (5) **Exports** is the sum of Travel & Tourism merchandise exports plus visitor spending exports plus other services exports.
- (6) **Merchandise Exports** is the sum of all products produced in Hawaii which are used outside the State (foreign and domestic) for Travel & Tourism purposes. A pineapple grown in Hawaii which is exported to the mainland and which is purchased by a mainland hotel is one example of a Travel & Tourism merchandise export.
- (7) **Visitor Spending** is the sum of inbound visitor spending to Hawaii by U.S. residents and international visitors.
- (8) **Other Services Exports** are the earnings of Hawaii Travel & Tourism services (e.g. Travel & Tourism consultants) out-of-state. It is believed that this amount is negligible.
- (9) **Imports** is the sum of Travel & Tourism merchandise imports plus resident spending abroad and other services imports.
- (10) **Merchandise Imports** is the sum of all products produced out-of-state (foreign and domestic) which are used instate for Travel & Tourism purposes. There are two major kinds of merchandise imports: products imported and sold through retail establishments to Hawaii visitors, and products imported and used by Travel & Tourism providers (i.e. cleaning supplies, energy, etc.).
- (11) **Residents Abroad** is the sum of Travel & Tourism spending by Hawaii residents on the mainland or abroad.
- (12) **Other Services Imports** are the spending by Hawaii companies on out-of-state Travel & Tourism services (e.g. Travel & Tourism consultants). It is believed that this amount is negligible.
- (13) **Gross State Product (GSP)** is the sum of consumer expenditures plus government consumption, capital investment and foreign and domestic trade.
- (14) **Business Expenditures** is the spending by Hawaii companies on employee business travel.
- (15) **Gross Output** is the sum of Gross State Product and business expenditures.
- (16) **Wages & Salaries** (a.k.a. compensation) is the sum of wages, salaries and benefits earned by Travel & Tourism employees (defined below) in Hawaii.
- (17) **Deprec.+Op. Sur.+Subs.** is the sum of depreciation, operating surplus (i.e. profits) and subsidies for Travel & Tourism providers and suppliers in Hawaii.
- (18) **Transaction Taxes** is the sum of Federal Excise Taxes, State General & Excise Taxes and Transient Accommodations Taxes for Travel & Tourism related purchases in Hawaii.
- (19) **Personal Taxes** is the sum of Federal and State individual taxes paid by Travel & Tourism employees (defined below) in Hawaii.
- (20) **Corporate Taxes** is the sum of Federal and State corporate income taxes paid by Travel & Tourism providers and suppliers in Hawaii.
- (21) **Property Taxes** is the sum of real property taxes paid by individuals and Travel & Tourism providers and suppliers for Travel & Tourism related properties in Hawaii.
- (22) **Total Taxes** is the sum of transaction taxes plus personal taxes plus corporate taxes plus property taxes.
- (23) **Employment** is the number of employees engaged by Travel & Tourism providers and suppliers, in both the private sector and public sectors.

Caribbean Region Countries:

Antigua, Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Cuba, Dominica, Dominican Republic, Grenada, Guadeloupe, Haiti, Jamaica, Martinique, Montserrat, Netherlands Antilles., Puerto Rico, St. Kitts and Nevis, St. Lucia, St. Pierre, St. Vincent, Trinidad & Tobago, U.S. Virgin Islands

WORLD TRAVEL & TOURISM COUNCIL POLICY AGENDA FOR HAWAII

To achieve Travel & Tourism's promise for economic development and job creation, WTTC suggests that the citizens, state and local governments of Hawaii and the U.S. federal government consider the following information and recommendations:

Make Travel & Tourism a Strategic Economic Development and Employment Priority

Recognize the Industry's Economic Contribution

The Travel & Tourism industry is highly fragmented and its economic effects flow across the policy spectrum - employment, transport, construction, communications, regional development, infrastructure, taxation, trade/exports and the environment. As a whole, Travel & Tourism plays a vital role in economic development and job creation in the State of Hawaii. No other single industry – including real estate, retail trade, state and local government, military, construction, health services, federal government, manufacturing or agriculture – can match Travel & Tourism's contribution to GSP or employment.

Despite this extensive impact, Travel & Tourism is often not adequately taken into account in broad economic policy determinations.

Travel & Tourism offers significant potential for boosting economic growth, investment and export trade. It is particularly effective in developing small businesses and creating jobs in urban and rural areas where structural unemployment is highest.

To this end, the industry should be factored into mainstream decision making on infrastructure, employment and exports, at federal, state and local levels. The focus should be on creating a positive business climate and public attitude for investment, growth and job creation for Travel & Tourism.

Establish a National Satellite Account

Because National and State Accounts and general economic indicators do not specifically identify Travel & Tourism, its impact is often ignored or at best understated in reports and analyses of economic performance. In 1993, the United Nations body responsible for national accounting recommended that governments create Satellite Accounts for Travel & Tourism in order to remedy this situation. As an interim measure, WTTC, working with the WEFA Group, evolved a methodology for simulating such accounts.

The State of Hawaii and United States as a whole should urgently establish an official State and National Satellite Account for Travel & Tourism. In the meantime, WTTC stands ready to work with the State of Hawaii, Department of Business Economic Development and Tourism and the U.S. Department of Commerce to make the widest possible use of the WTTC/WEFA research. Furthermore, the State of Hawaii should play a leadership role in encouraging other states and countries to establish Travel & Tourism Satellite Accounts to help track the industry's input to the global economy, and as a basis for policies to increase that contribution.

Action

- **Ensure that Travel & Tourism's impact and potential are understood by state citizens and across federal, state and local government departments. Integrate Travel & Tourism into mainstream policies for job creation, export growth, infrastructure development and investment stimulation.**
- **Create a State Satellite Account for Travel & Tourism in Hawaii as recommended by the UN Statistical Commission in 1993, and support the same on a national level.**

Move Toward Open and Competitive Markets

Liberalize Markets

A liberal international trading system with free-flowing markets for goods and services will help Travel & Tourism grow. Increased trade encourages business trips, and growing disposable income expands leisure travel. Protectionism has the reverse effect.

The successful conclusion of the Uruguay Round will give a boost to trade generally, and the General Agreement on Trade in Services (GATS) offers worldwide prospects for liberalization of barriers to Travel & Tourism. There is a strong need for action to implement these accords.

In liberalizing Travel & Tourism, the biggest single challenge is to achieve competitive air transport regimes. Across the U.S., the majority of international business travelers, as well as a significant and growing number of leisure travelers, arrive by air. Virtually all intercontinental travel and travel to Hawaii involves this mode. Many bilateral aviation agreements and national air transport policies have limited the potential growth of Travel & Tourism by protecting national airlines.

Recent studies suggest that the drawbacks to national economies from protectionist aviation regimes dramatically outweigh the benefits, when measured in terms of GDP, tax revenues and jobs. WTTC's report "*The Way Forward*" makes a strong economic case for liberalization, focusing on: the elimination of market controls; privatization; cross border ownership; an end to subsidies; and fair competitive opportunities. The U.S. Commission to Ensure a Strong Competitive Airline Industry has suggested similar approaches that have been broadly endorsed by the federal administration. The

U.S. should continue to press vigorously for multilateral and bilateral liberalization of international air transport services.

The Asia/Pacific Travel & Tourism market is widely recognized as the fastest growing market in the world, with airline transportation as the primary means of transport within the region. As new technology develops, operations between these markets and the U.S. mainland will have the capability to increasingly overfly Hawaii. As the region moves to more liberal aviation regimes, it is imperative that new bilateral and multilateral agreements between APEC (Asia Pacific Economic Council) states give opportunity for expanded operations to and through Hawaii. The U.S. should give high priority in its aviation negotiations to opening the market between Hawaii and the Asian countries.

A related issue is the need to ensure that international telecommunications markets are also liberalized. An increasing amount of Travel & Tourism operations - and virtually all distribution and sales transactions - flow through telecommunications circuits. Where these are monopoly-controlled, there are often restrictions on access, high costs and unreasonable operating conditions. This in turn limits the potential for market-oriented expansion of Travel & Tourism with negative national and international economic impacts.

Enhance Promotion

Foreign visitors' spending is a valuable export. The same tools should be available for Travel & Tourism export promotion as for other export industries. Hawaii has world class products to offer international visitors, including its cities and country side, its natural and man-made attractions, its historical, artistic and cultural heritage and its climate of peace, stability and freedom.

An increasing number of governments are beginning to understand the value of Travel & Tourism to

their economies and are turning their attention to measures that will enhance their comparative advantage in this area.

The global market is becoming increasingly competitive. Major tourism receiving destinations - such as the Caribbean, Australia, Spain and Mexico - have devoted substantial government resources and funds to improve products and marketing. They have also stimulated private sector funds to do likewise. Canada recently restructured its Travel & Tourism promotional machinery - creating a top-level, private sector-driven Tourism Commission, tapping the federal budget for promotion, and challenging the private sector to match that effort. The U.S., with Hawaii's strong support, should do no less to remain competitive.

Action

- ***Promote competitive markets by supporting implementation of the GATS, continuing to encourage bilateral and multilateral air transport liberalization with Asia/Hawaii markets as a high priority and pressing for deregulation of worldwide telecommunications markets.***
- ***Support increased public/private sector cooperation in promoting Hawaii Travel & Tourism through dedicated permanent state and local government contributions and funding to Hawaii destination marketing organizations.***
- ***Establish and promote state and local branding and marketing to ensure international competitiveness.***
- ***Encourage the U.S. federal government to support national brand marketing through the post White House Conference process.***

Pursue Sustainable Development

Promote Sustainability

Travel & Tourism is responsible for moving, accommodating, feeding and entertaining hundreds of millions of people each year. Aircraft manufacturing, hotel construction and travel infrastructure development are integral parts of the operation. As markets open and business increases, there is a responsibility to ensure that development proceeds in harmony with the environment. Travel & Tourism has a key interest here: the environment is the core of its product and must be preserved for business sustainability as well as the global imperatives.

As governments implement policies in response to the Rio Earth Summit, they have many choices about the form and nature of their actions, the degree of penalty or incentive, and the use of market-driven or regulatory-based instruments. The Travel & Tourism industry strongly believes that the environmental policy agenda should focus on self-improvement, incentives, and light-handed regulation as the preferred approach. This will encourage the innovation and business acumen of the industry to significantly improve environmental performance.

WTTC recently launched its GREEN GLOBE program — backed by more than 20 Travel & Tourism industry associations — which aims to build an environmental ethic into all aspects of the Travel & Tourism business. GREEN GLOBE offers a practical program for environmental self-improvement to Travel & Tourism companies of any size, type or location, drawing on a global database of best practices and a worldwide network of advisors. The program encourages companies to enter into a continuing cycle of assessment/improvement with a variety of guidance and support services to help adapt corporate culture and practices.

WTTC believes the State of Hawaii should encourage industry self-regulatory efforts such as GREEN GLOBE as a flexible, market-based environmental awareness program, avoiding excessive regulation in this area.

Restructure Land Use Procedures

An integral component of the Rio Earth Summit's Agenda 21 is development. Just as governments and the private sector are addressing the modalities of ensuring responsible development through self-regulatory programs like GREEN GLOBE, they must also evaluate the legal and bureaucratic requirements of the development process.

In Hawaii, land and water use processes are often costly, burdensome and lengthy, resulting from unnecessary duplication and poor or arbitrary definition of standards and responsibilities. Clarification of zoning responsibilities, establishment of review time limits, concurrent permit processing, limitation of exactions, and allowances for compliance approval would all help ameliorate the problem. The recent amendment of the Waikiki Special District ordinance, and reduction of building permit processing time on Oahu by 50 percent are positive steps to improve the current development process.

Action

- ***Develop a market-oriented environmental policy framework and support private sector initiatives for improved environmental performance.***
- ***Restructure land and water use approval processes to clarify requirements, add certainty and reduce unnecessary time and expense in the development process.***

Eliminate Barriers to Growth

Some aspects of the efficient working of Travel & Tourism markets have such an important impact on growth potential that they must be treated as barriers to development. They require a deliberate strategic response if the wealth and job creation capabilities of Travel & Tourism are to be optimized. In some instances, the constraints are a direct result of government action or inertia; in others, the industry plays a part. However in all cases, their elimination calls for action and investment from the public sector.

Expand Infrastructure

In many states and countries, Travel & Tourism infrastructure faces critical development challenges resulting from inadequate policies, planning and funding over many years.

Of particular concern is the air transport sector, where airport expansion and air traffic control system (ATC) modernization is a very high priority, particularly across the Pacific. Current land-based ATC systems should be switched to satellite navigation as soon as possible to contain operating costs, improve safety and reduce congestion. An increased private sector role should be pursued.

On the ground, Hawaii's Travel & Tourism faces challenges in upgrading and improving its product and infrastructure, including highways, roads, beaches and meeting facilities. Although several projects are underway, including the new Convention Center, to address some of these issues, greater attention must be paid to make sure the Hawaii travel product meets the requirements and standards of an increasingly demanding and discriminating visitor market.

Expedite Airport/Border Clearance

Another major infrastructure problem arises at international border crossings, particularly at Hawaii's airports. With the number of travelers expected to double over the decade, and with pressures on budget and space resources, it will be increasingly important to apply modern automation technology and business procedures to speed up border clearance.

The United States Immigration and Naturalization Service (INS) has taken the lead in implementing a pilot project which WTTC calls FAST - Future Automated Screening for Travelers. FAST systems, which are under consideration in a number of countries and individual airports, including Honolulu International, use biometric identification and automated processing to expedite clearance while enhancing security. This experiment has proven successful and should be expanded to all border crossings.

The highly successful visa waiver program has made travel to the United States and Hawaii much easier for citizens of those countries included in the program. Hawaii should encourage the INS to extend and make permanent the visa waiver program and eliminate visa requirements where possible.

Tax Intelligently

Travel & Tourism is expected to generate US\$ 716 billion of global tax revenue in 1997. The industry should pay its fair share of taxes, but it does object when governments ignore the basic principles of intelligent taxation:

Fair revenue generation means that taxes have to be paid, as there is no feasible way of funding public services over the long run. But while the Travel & Tourism industry will pay its part in accordance with basic principles, its tax burden should not be raised by special taxes or inappropriate user charges.

Efficiency means getting the most out of your resources, both in the short and long-term. To be efficient, taxes should interfere as little as possible with using resources in their most productive way, should not choke off demand, and should not increase production costs. Most importantly, this applies to international trade, where international visitors are an export and should receive the same tax consideration as other exports.

Equity means that Travel & Tourism and its consumers should be treated equitably by the tax system, and should not face a heavier tax burden than other industries.

Simplicity is important for both the taxpayer and the tax authorities. For the taxpayer (industry), simplicity invigorates initiative and encourages growth. For taxing authorities, simplicity decreases the costs of administration and increases compliance. Because Travel & Tourism is subject to so many different local, regional and national taxes, it is particularly vulnerable.

Effective stimulus to growth means that taxes should be used to promote, not hinder, economic growth and job creation. Because Travel & Tourism is a labor intensive industry with a large impact on the economy of Hawaii, it can act as an economic catalyst by initiating growth quickly.

"Add-on taxes" and user fees are a real case in point. They are proliferating at airports, on air tickets, rental cars, hotel rooms and restaurant meals - levied by local, state and federal authorities. They comprise one of the fastest growing areas of operating costs, and if unconstrained, can contribute to raising total trip costs to levels that depress demand, impairing international competitiveness.

Invest in Human Resources

As a major source of employment in Hawaii and the U.S., Travel & Tourism has to be at the forefront of new education and training techniques and technologies - especially given the evolution in products, major shifts in markets and increasing emphasis on service quality, which will characterize Travel & Tourism over the next decade.

The industry itself is investing substantial amounts in retraining programs for existing staff and in basic service programs for new entrants. What is needed is a much greater emphasis on public education and career programs for job prospects in Travel & Tourism, as well as closer coordination between public and private sector schemes.

Provide for Visitor Safety and Security

Recent high visibility events in Hawaii and other destinations have reinforced the importance of addressing visitor safety and security issues in all tourist destinations including Hawaii. As criminal activity grows worldwide, travelers are increasingly exposed to petty and violent crime. Although few of the millions of travelers are actually affected, WTTC believes that governments cannot afford to ignore this issue as it has the potential to become a serious barrier to travel. If safety is not firmly addressed on an international, national, and local level, it will simply become increasingly visible, costly and demand depressant.

WTTC encourages local governments to increase and improve safety measures for travelers and upgrade traveler safety information, coordinate safety mechanisms and procedures between industry and government, and promote constructive media reporting.

Action

- ***Support improvement of Travel & Tourism infrastructure with emphasis on expanded airports, satellite-based air traffic control, highways, roads, beaches and meeting facilities.***
- ***Support FAST border clearance, encourage visa waiver extension and visa elimination.***
- ***Apply basic economic principles of taxation - fair revenue generation, efficiency, equity, simplicity and effective stimulus to growth - to Travel & Tourism. Apply export incentives and exemptions where applicable.***
- ***Include Travel & Tourism in high school and university programs and career guidance schemes. Ensure that the industry's training programs have full access to public job creation incentives.***
- ***Improve visitor safety and security programs.***

AN INTRODUCTION TO GREEN GLOBE

What is GREEN GLOBE?

GREEN GLOBE is a world-wide environmental management and awareness program for the Travel & Tourism industry.

Its prime objective is to provide a low-cost, practical means for all Travel & Tourism companies to undertake improvements in environmental practice.

Why GREEN GLOBE?

A clean healthy environment is the core of the Travel & Tourism product, and is essential to future development. Good environmental practice is not only morally right; it makes sound business sense and can lead to significant cost savings.

What are its origins?

GREEN GLOBE was developed by the World Travel & Tourism Council (WTTC), a global coalition of industry Chief Executive Officers, with the involvement of the Earth Council and its Chairman, Dr. Maurice Strong, former Secretary General of the 1992 Rio Earth Summit. The concept has the broad support of the United Nations Environment Program (UNEP).

Major regional and sectoral Travel & Tourism organizations have joined GREEN GLOBE as Industry Associates and are working to encourage their members' participation.

Who can join?

Membership is open to Travel & Tourism companies of any size, type and location which commit, at chief executive officer level, to improvement in environmental practice.



How does it work?

GREEN GLOBE helps a company to develop an environmental program suited to its specific requirements, and brings numerous business benefits. GREEN GLOBE members have access to:

- **Advice** in tailoring company practices to changing environmental needs
- **Tools** to help evaluation and to improve performance
- **Information** on environmental good practice and cost saving techniques
- **Recognition** of your company's environmental commitment

What are the benefits?

- Continuous practical help, to build environmental considerations into daily business decisions
- A service which is tailored to the size, business focus and level of environmental activity of your company
- Cost-saving and commercial opportunities

What is the cost?

Membership fees are structured to ensure that the program is accessible to companies of any size; they range from US\$ 200 per annum for companies with turnover of less than US\$ 1 million, to US\$ 7,500 for companies with turnover of more than US\$ 30 million.

If your company is not already a GREEN GLOBE Member, and you would like further information about the program, please contact the GREEN GLOBE Office at 20 Grosvenor Place, London SW1X 7TT, United Kingdom. Tel: +44 171 930 8333. Fax +44 171 930 7779. E-mail on Internet: 100104.2605@compuserve.com

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The World Travel & Tourism Council (WTTC) is a global coalition of Chief Executive Officers from all sectors of the Travel & Tourism industry including accommodation, catering, entertainment, recreation, transportation and travel-related services. Its goals are to convince governments of the strategic and economic importance of Travel & Tourism, to promote environmentally compatible development and to eliminate barriers to growth of the industry.



The WEFA Group is one of the world's leading economic consulting and forecasting firms with nearly 300 economists worldwide. It distributes data on 152 countries and forecasts 94 country economies in depth.

Founded in 1963 by Lawrence R. Klein, 1980 Nobel Laureate in Economics, Wharton Econometric Forecasting Associates (WEFA) was the original economic forecasting firm started at the request of business leaders who wanted objective, independent forecasts for business planning and analysis. Over the years, WEFA built its reputation on academic standards, quality research and forecast accuracy.

In 1987, WEFA merged with Chase Econometrics, an independent subsidiary of Chase Manhattan Bank that provided unequalled planning support to financial institutions, corporations, and government agencies for over 15 years to form the WEFA Group.

The WEFA Group and its predecessors have always been at the forefront of economic consulting, forecasting and analysis.

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